



NAM CHEONG LIMITED  
(Incorporated in Bermuda)  
(Company Registration Number 25458)

---

**RESPONSE TO SGX-ST QUERIES IN RELATION TO THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2017 FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT**

---

The Board of Directors (the “**Board**”) of Nam Cheong Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) refers to its announcement made on 28 August 2017 in relation to the Second Quarter and First Half Year Ended 30 June 2017 Financial Statements and Related Announcement (the “**Announcement**”). Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them in the Announcement.

The Board would like to provide the following additional information in reply to the queries raised by SGX-ST on 31 August 2017:

**SGX-ST Query 1**

As disclosed in Paragraph 1(a)(ii)(of the Announcement), the Group has provided the breakdown of the “assets impairment and written down”.

- i. Please provide the (a) circumstances leading to and (b) the bases for the impairments made, in respect of each of the following:
  - (i) Impairment of property, plant and equipment;
  - (ii) Impairment of investment properties;
  - (iii) Impairment of trade and other receivables;
  - (iv) Inventory written off.
- ii. Please confirm if the Board of directors are satisfied with the reasonableness of the methodologies used to determine the value of write-offs or impairment of fixed assets.
- iii. Please confirm as to whether the Board has sought appropriate independent professional advice, such as opinions from a reputable law or international accounting firm in determining the impairments and/or write-off. If an independent professional was appointed, please provide the details of the appointment and the independent advice.
- iv. Please provide an explanation for the foreign exchange loss of RM17.4m incurred in 2QFY2017.

## Company's Response

(i)

	<b>Circumstances leading to the impairments made</b>	<b>Bases for the impairments made</b>
Impairment of property, plant and equipment	The significant decrease in market value of the vessels has caused the Group to impair the carrying amount of the vessels classified under Property, plant and equipment.	The amount of impairment was based on the difference between carrying amounts of the vessels and the following (as the case may be):  (i) the value stated in the independent valuation report prepared by Clarkson Valuations Limited, an independent professional ship valuer dated 7 July 2017 (" <b>Valuation Report</b> "); or  (ii) for vessels not covered by the Valuation Report, the estimated selling price of such vessel in the market.
Impairment of investment properties	The Group is planning to dispose the investment properties in order to reduce the loans and borrowings from the secured lenders.	The amount of impairment was based on the difference between carrying amounts of the investment properties and the estimated selling price by reference to the recent transacted price.
Impairment of trade and other receivables	The deteriorating market condition and slow payment from receivables have increased the doubt of recoverability of certain receivables.	The amount of impairment was based on the specific review of the carrying amounts of the specific trade and other receivables which recoverability is in doubt.
Inventory written down	The deteriorating market condition, the decrease in selling price of the vessels and the Company's financial position have caused certain shipbuilding projects to be valued at net realisable value.	The carrying amounts of the respective vessels work in progress were valued at the lower of cost and net realisable value.

(ii) Given the circumstances above, the Board is satisfied with the reasonableness of the methodologies used to determine the value of write-offs or impairment of fixed assets.

(iii) The Board had engaged an independent professional ship valuer, Clarkson Valuations Limited, and received the Valuation Report to assist the Board in determining the amounts for impairments and/or write downs on certain vessels. In arriving at these values, the Board took into account the Valuation Report and the current market value in a deteriorating market condition.

- (iv) The foreign exchange loss of RM17.4m in 2QFY2017 was mainly due to the loss in relation to the revaluation of loans and borrowings denominated in SGD as a result of the appreciation of SGD against USD during the period.

### **SGX-ST Query 2**

In Paragraph 10 of the Results Announcement, the Company indicated that “in response to the challenging business environment that the Group is operating in, the Group has deferred the schedule of deliveries of its vessel currently under construction, both at customers’ requests and also at the Group’s initiative. The Group continues to monitor and review the shipbuilding schedule together with deferment and cancellation plans, through ongoing communication and consultation with its stakeholders.”.

Please disclose the implications and any material financial impacts on the Group in the event where the Group’s efforts to defer and/or cancel on the delivery of its vessels are not successful.

### **Company’s Response**

In the event that the Group’s efforts to defer and/or cancel on the delivery of its vessels are not successful, the Group may not be able to defer and/or reduce the payment commitment to the trade creditors and may in turn cause a mismatch in the Group’s cash flows.

BY ORDER OF THE BOARD  
NAM CHEONG LIMITED

Tan Sri Datuk Tiong Su Kouk  
Executive Chairman  
8 September 2017